



EASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois

REPORT REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS

For the Year Ended June 30, 2023

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



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EASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
Financial Audit
For the Year Ended June 30, 2023

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The University’s <i>Federal Single Audit</i> and <i>State Compliance Examination</i> for the year ended June 30, 2023, will be issued under a separate cover. Additionally, the University’s financial statements as of and for the year ended June 30, 2023, have been issued under a separate cover.	

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UNIVERSITY OFFICIALS

President (7/1/22 - 6/30/23)	Dr. David M. Glassman
President (7/1/23 - present)	Dr. Jay D. Gatrell
Provost and Vice President for Academic Affairs (7/1/22 - 6/30/23)	Dr. Jay D. Gatrell
Interim Provost and Vice President for Academic Affairs (7/1/23 - present)	Dr. Ryan C. Hendrickson
Vice President for Business Affairs (7/1/22 - 7/5/22)	Vacant
Vice President for Business Affairs (7/6/22 - present)	Mr. Matthew J. Bierman
Vice President for Student Affairs	Ms. Anne Flaherty
Vice President for University Advancement (7/1/22 - 6/30/23)	Mr. Kenneth A. Wetstein
Vice President for University Advancement (7/1/23 - present)	Vacant
Director of Business Services and Treasurer (7/1/22 - 4/30/23)	Mr. Paul A. McCann
Director of Business Services and Treasurer (5/1/23 - 6/30/23)	Mr. Michael Hutchinson, CPA
General Counsel (7/1/22 - 2/28/23)	Ms. Laura McLaughlin
General Counsel (3/1/23 - 4/17/23)	Vacant
General Counsel (4/18/23 - present)	Mr. Austin J. Hill
Director of Internal Auditing (7/1/22 - 4/30/23)	Mr. Chifundo Biliwita, CIA, CFE
Director of Internal Auditing (5/1/23 - 12/31/23)	Vacant
Director of Internal Auditing (1/1/24 - present)	Ms. Natalee Black, CPA

BOARD OF TRUSTEES (as of June 30, 2023)

Chairperson	Ms. Joyce Madigan
Vice Chairperson	Mr. C. Christopher Hicks
Secretary	Dr. Audrey Edwards
Member Pro-Tem	Ms. Barbara Baurer
Member	Ms. Julie Everett
Member	Vacant
Member	Vacant
Student Member	Mr. Connor W. Mellott

University offices are located at:
600 Lincoln Avenue
Charleston, Illinois 61920

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REPORT REQUIRED UNDER GOVERNMENT AUDITING STANDARDS

SUMMARY

The audit of the financial statements of Eastern Illinois University (University) was performed by Sikich LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, and the reports of other auditors, the auditors expressed an unmodified opinion on the University’s basic financial statements, issued under a separate cover.

SUMMARY OF FINDINGS

The auditors identified three matters involving the University’s internal control over financial reporting that they considered to be material weaknesses. Further, the auditors identified one noncompliance matter.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	5	2022/2020	Inadequate internal controls over census data	Material Weakness and Noncompliance
2023-002	9	2022/2022	Weaknesses in preparation of year-end financial statements	Material Weakness
2023-003	11	2022-2019	Lack of adequate review of service providers’ internal controls	Material Weakness

EXIT CONFERENCE

The University waived an exit conference in correspondence from Michael Hutchinson, Director of Business Services and Treasurer, on January 17, 2024. The response to the recommendation for item 2023-001 was provided by Michael Hutchinson, Director of Business Services and Treasurer, in correspondence dated September 1, 2023. The responses to the recommendations for items 2023-002 and 2023-003 were provided by Michael Hutchinson, Director of Business Services and Treasurer, in correspondence dated January 17, 2024.

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of Eastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and we have issued our report thereon dated January 18, 2024. Our report includes a reference to other auditors who audited the financial statements of the Eastern Illinois University Foundation and the Eastern Illinois University Alumni Association, as described in our report on the University’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 through 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2023-001.

University's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The University's responses were not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
January 18, 2024

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SCHEDULE OF FINDINGS – GOVERNMENTAL AUDITING STANDARDS FINDINGS
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2023-001. **FINDING** (Inadequate internal controls over census data)

The Eastern Illinois University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting the data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during fiscal year 2021 to project pension and OPEB-related balances and activity at the plans during fiscal year 2022, which is incorporated into the University's fiscal year 2023 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our previous cut-off testing of data transmitted by the University to SURS, we noted 2 instances of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. We also noted 4 instances whereby service credit was different by a total of 6.50

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years. All of these instances have been previously reported, however still impacted the June 30, 2021 census data.

- During our testing of instructor eligibility testing, we noted 19 instructors were not reported as eligible to participate in SURS by the University. All of these instances have been previously reported, however still impacted the June 30, 2021 census data. SURS determined the total potential impact of this error was the instructors' service credit was off by a combined 41.5 years.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during fiscal year 2022.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the

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Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

Finally, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to employees being paid one pay period after the occurrence of the reporting event. For example, a retirement that occurs on June 30, would still have one pay to be made in July. The timing of that payment would depend on whether the employee was a bi-weekly or monthly employee. Finally, they indicated the instructors were not reported to SURS due to the University utilizing a different reasonable and good faith interpretation of the Code's eligibility requirements.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2023-001, 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University continue to work with SURS to complete the base year reconciliation of fiscal year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

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Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

Finally, we recommend the University ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

UNIVERSITY RESPONSE

The University accepts the recommendation. The University continues to work on the completion of the initial full reconciliation. The University will work to improve the reporting of all reportable events in accordance with the rules established by the Code and administrative rules.

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2023-002. **FINDING** (Weaknesses in preparation of year-end financial statements)

Eastern Illinois University's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccurate information.

The University did not have adequate controls over the completeness and accuracy of year-end financial reporting which resulted in errors in the GAAP basis financial statements and supporting schedules provided to us during our audit. The University did not perform a sufficient supervisory review of all amounts recorded in its financial statements and footnotes. Also, as a result of audit differences identified by us as well as additional corrections subsequently identified by the University, the University provided us with several revisions to its draft financial statements, with significant modifications, before providing its final draft revision on January 10, 2024.

We noted the following issues while testing the year-end financial reporting process, which were corrected by the University after we brought them to its attention:

- Restricted net position for the bond system was understated by \$3,308,576 and unrestricted net position was overstated by the same amount due to an adjustment made to the year ended June 30, 2022, financial statements but not carried forward to the current fiscal year.
- Tuition discounts for the MAP grant were understated by \$1,832,800, resulting in the overstatement of revenue and operating expenses by the same amount due to a calculation error.

We also identified several errors in the footnotes to the financial statements as well as the Management Discussion and Analysis section of the financial report. The University corrected each of these items accordingly.

The State Comptroller Act (Act) (15 ILCS 405/19.5) requires State agencies to report, on or before October 31 each year, all financial information as directed by the Comptroller in order to compile and publish an annual comprehensive financial report in accordance with GAAP.

The Government Finance Officer Association's *Internal Control Deficiencies in Audits* advocates that governments establish and document a system of financial reporting that is sufficient to provide reasonable assurance that management is able to prepare financial statements in conformity with generally accepted accounting principles. A good system of internal control requires that management review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states management is responsible for establishing and maintaining a system, or systems, of internal fiscal and administrative controls to provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated these issues were caused by human error and changing staff.

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As a result of these errors, the University's financial statements were inaccurate and required corrections. Additionally, weaknesses in the design or operation of internal controls could adversely affect the University's ability to fulfill its responsibility to prepare accurate and timely financial statements and could also negatively impact the Statewide financial statements. (Finding Code No. 2023-002, 2022-002)

RECOMMENDATION

We recommend the University strengthen its internal controls to ensure financial statements are prepared in a complete and accurate manner and are subjected to an appropriate supervisory review. We also recommend the University's procedures address all elements of the University's financial reporting process.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendations and will work to strengthen the internal controls and supervisory reviews as the responsibility transitions between employees.

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2023-003. **FINDING** (Lack of adequate review of service providers' internal controls)

Eastern Illinois University (University) had not implemented adequate controls over its service providers.

We requested the University's population of service providers utilized during the audit period to determine if the University had reviewed the internal controls of its service providers. In response, the University provided a population; however, the population contained inaccuracies. Due to this condition, we concluded the University's population was not sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205)

Even given the population limitations noted above, we performed testing of four service providers, noting:

- One (25%) service provider agreement did not contain the requirement to ensure security, integrity, availability, confidentiality, and privacy controls over the University's applications and data.
- Four (100%) service provider agreements did not contain a requirement for a System and Organization Control (SOC) report or an independent internal control review of the outsourced controls.
- The University could not provide a bridge letter which covered the entire fiscal year for two (50%) service providers.
- Specific University controls related to the Complementary User Entity Controls (CUEC) were not documented.

This finding was first noted during the fiscal year June 30, 2019, compliance attestation examination. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their Information Technology environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

University management indicated that the inaccurate population listing was caused by a misunderstanding of what the definition of a service provider was under generally accepted

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auditing standards. Further, management indicated the testing issues noted above were due to a lack of responsiveness by service providers to University requests for information, and University policies and practices did not include all required control procedures and processes as a result of misunderstandings as described above.

Without having adequate controls over their service providers, the University does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2023-003, 2022-004, 2021-004, 2020-007, 2019-008)

RECOMMENDATION

We recommend the University evaluate their population of service providers to ensure it is complete and accurate. We recommend the University ensure the agreements with service providers address the security, integrity, availability, confidentiality, and privacy controls over the University's applications and data. We also recommend the University include a requirement for a System and Organization Control (SOC) report or an independent internal control review of the outsourced controls. Finally, we recommend the University obtain bridge letters through the end of the engagement period, if the SOC report does not extend through the end of the engagement period.

UNIVERSITY RESPONSE

The University agrees with and continues to work toward compliance with the auditor's recommendations. As new agreements are renewed, the University seeks to include the recommended language. The University will continue to request bridge letters from service providers.